

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ADP-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02 INT-08

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4089

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

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BEIRUT PASS USINT BAGHDAD

E. O. 11652: N. A.

TAGS: ENRG, JA, FR, IZ

SUBJ: JAPANESE ROLE IN ELF- ERAP DEAL IN IRAQ

REF: PARIS 13934

SUMMARY: JAPANESE EXPECT TO RECEIVE FIVE MILLION
TONS OF IRAQI OIL BEGINNING IN 1975, AS PART OF DEAL
CONCLUDED BETWEEN IRAQ AND ELF- ERAP END SUMMARY.

1. REFTEL REPORTS OUTLINES OF AGREEMENT BETWEEN ELF-
ERAP AND IRAQI GOVERNMENT (REVISING TERMS OF 1968
SERVICE AGREEMENT) IN WHICH JAPANESE HAVE MINORITY PARTICIPATION.
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EMBOFF DISCUSSED AGREEMENT MAY 22
WITH WATANABE, SECTION CHIEF OF ENERGY RESOURCES
DEVELOPMENT DIVISION OF SUMITOMO SHOJI, PRINCIPAL
JAPANESE COMPANY INVOLVED IN DEAL WITH ELF- ERAP.
ACCORDING WATANABE, UNDER TERMS OF AGREEMENT, SUMITOMO
WILL RECEIVE 40 PERCENT OF ERAP' S SHARE OF PRODUCTION
OR EIGHTEEN PERCENT OF TOTAL PRODUCTION OF FIELDS
COVERED BY AGREEMENT. SUMITOMO WILL ALSO HAVE RIGHT
TO BUY BACK CERTAIN PART OF PRODUCTION OWNED BY IRAQI
GOVERNMENT.

2. WHILE WATANABE WOULD NOT DISCUSS PRICE OR QUANTITY,
FONOFF SOURCE (SUGIYAMA, INTERNATIONAL RESOURCES
DIVISION) TOLD EMBOFF THAT HE EXPECTED JAPANESE
WOULD RECEIVE FIVE MILLION TONS OUT OF EXPECTED PRODUCTION
OF 8 MILLION TONS IN 1975. IF EXPLORATION SUCCESSFUL,
PRODUCTION COULD RISE TO TEN MILLION TONS IN 1976.
SUGIYAMA ALSO SAID HE UNDERSTOOD PRICE NOT YET SET,
BUT IT WOULD BE SUBJECT ANNUAL RENEGOTIATION.
CONDITIONS ON FINANCING OF PIPELINE FROM FIELDS TO PORT
OF FAO AND FINANCING OF EXPLORATION PROJECT ITSELF
ALSO NOT YET FIXED.

3. WATANABE ACKNOWLEDGED THAT IRAQI OIL HAD 3.5 PERCENT
SULFUR CONTENT. SUMITOMO, HE SAID, " BETTING" THAT
LOW COST DESULFURIZATION FACILITIES WOULD BE AVAILABLE
BY TIME OIL DELIVERIES BEGAN. IF THIS NOT THE CASE,
SUMITOMO WOULD HAVE TO ATTEMPT TO SWAP OIL.

4. THUS FAR, ACCORDING WATANABE, SUMITOMO IS ONLY JAPANESE
COMPANY WHICH HAS FORMALLY ACCEPTED PART IN IRAQ DEAL. SUMITOMO
IS ATTEMPTING TO ORGANIZE CONSORTIUM INCLUDING JAPAN
PETROLEUM DEVELOPMENT CORP, MITSUBISHI PETROLEUM
DEVELOPMENT CORP, TEIKOKU OIL CO, AND IDEMITSU OIL
CO. NEW CONSORTIUM, IF ESTABLISHED, WILL BE CALLED
IRAQ PETROLEUM DEVELOPMENT CORP.

5. EMB TOLD BY SUMITOMO THAT IRAQI " WELCOMED" JAPANESE
PARTICIPATION IN ITS OIL DEVELOPMENT.
INGERSOLL

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THE HAGUE

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